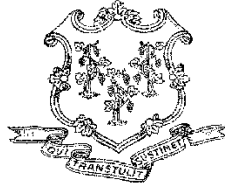


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Good morning Sen. Fonfara, Rep. Scanlon and Members of the Finance, Revenue and Bonding Committee. I would like to express my support for SB 383 AN ACT INCREASING THE APPLICABLE PERCENTAGE OF THE EARNED INCOME TAX CREDIT and HB 5403 AN ACT ESTABLISHING A CHILD TAX CREDIT AGAINST THE PERSONAL INCOME TAX.

SB 383 would increase the state Earned Income Tax Credit (EITC) to 41.5% of the federal credit. I have long been an advocate for the refundable state Earned Income Tax Credit (EITC) in Connecticut and I considered it a victory for the people of Connecticut when it was enacted into law in 2011. Originally, the EITC was set at 30% of the federal amount, but that percentage was reduced to 23% in 2017. In 2021 the percentage was increased to 30.5% for 2021 income. In addition, the Governor used federal funds to increase the 2020 payment from 23% to 41.5%. That should be the permanent level for the Connecticut state EITC.

This legislation would represent a positive step toward closing the vast gap between Connecticut's affluent and poorest citizens, particularly children. The Covid pandemic has increased the visibility of this stark gap. Since its creation with bi-partisan support during the administration of President Gerald R. Ford in 1975, the Federal EITC has proven to be an effective strategy for raising children out of poverty by targeting assistance to low-income working families. The EITC recognizes that low-income parents who are committed to the workforce face challenges and hardships proportionately greater than those faced by higher paid workers. The Biden administration has recognized the efficacy of this program and has expanded the EITC and the Child Tax Credit in the American Rescue Plan Act¹

I support increasing the EITC for three primary reasons: it would help working families to become more self-sufficient, it would enhance the fairness of Connecticut's tax code, and it would provide an effective stimulus for the Connecticut economy.

Low-income workers face the same childcare expenses as those who earn higher wages, but the higher paid workers often receive a tax credit for these expenses. Low-income workers do not receive financial assistance with childcare costs because they often do not have income tax liability. Despite having no income tax liability, these families in fact pay a disproportionate share of their incomes in more regressive sales and property taxes. These low-income workers truly need more assistance than their higher paid colleagues.

¹ <https://www.cbpp.org/research/federal-tax/american-rescue-plan-act-includes-critical-expansions-of-child-tax-credit-and>

The EITC provides additional funds to low-income workers for their essential needs. Thus, it puts cash in the hands of people who will spend the money locally, thereby contributing to the local economy. EITC funds are not spent on luxuries but on pressing needs like car repairs, work clothes, children's clothes and medical care. The EITC is a smart investment in Connecticut families.

HB 5403 would create a refundable child tax credit against the state income tax. The temporary federal program² in the American Rescue Plan Act reduced child poverty by approximately 30%. Unfortunately, this federal program has not been renewed and this has left many children in need. SB 5403 would help to fill the gap that was left when the federal program expired and help lift Connecticut children out of poverty.

Both of these bills recognize that lower income people pay substantial taxes to the state primarily through the sales tax, although they may not have income tax liability due to the progressive structure of exemptions under our state income tax. We will help both deserving individuals and the state economy when we take these reasonable steps to support and assist hard-working struggling families.

Thank you for hearing these important bills.

² <https://www.npr.org/2022/01/27/1075299510/the-expanded-child-tax-credit-briefly-slashed-child-poverty-heres-what-else-it-d>